

# **Kentucky Agricultural Finance Corporation**

## **Minutes of the September Meeting**

The meeting of the Kentucky Agricultural Finance Corporation was held on Friday, September 1, 2006 at 10:00 AM EDT in room C109 of the Transportation Conference Center in Frankfort, Kentucky. Glenn Mitchell, presiding on behalf of Commissioner Farmer, called the meeting to order. Mr. Mitchell then asked Nicole Ray, Secretary, to call the roll.

### **Members Present**

Commissioner Farmer (Glenn Mitchell, designee), Bob Gaslin, Wayne Hunt, Larry Jaggars, Billy Joe Miles, Charles Miller, James Reams, Annette Crawford Walters

### **Members Absent**

Secretary Farris, Doug Lawson, Frank Penn, Bob Proffitt

### **Others Present**

**Staff** - Catherine Ball, Tim Hughes, Bill McCloskey, Nicole Ray, Keith Rogers

**Guests**- Lowell Atchley, Legislative Research Commission; Kaycie Carter, Community Farm Alliance; Harold and Shannon Burton, applicants; Rodger Bingham, Kentucky Department of Agriculture

### **Notification of Press**

Keith Rogers stated that the media had been notified.

### **Introductions**

Mr. Rogers introduced the Board to the new member, Mr. Bob Gaslin. Mr. Gaslin replaces Ms. Jane Jones.

### **Review and approval of Minutes of July 21, 2006**

A motion to approve the July minutes was made by Ms. Walters, seconded by Mr. Hunt. The motion passed without dissent.

### **Executive Director's Report**

Mr. Rogers reviewed the day's agenda with the Board.

Mr. Rogers notified the Board that the Agricultural Development Board approved the KAFC request to move funds from the Agricultural Processing Loan Fund to the Beginning Farmer Loan Fund and the Agricultural Infrastructure Loan Fund. He called the Board's attention to the financial status report in the update folder.

Mr. Rogers called the attention of the Board to the copy of his column that appeared in the Farmer's Pride on August 2.

Mr. Rogers notified the Board that the Tobacco Settlement Funds Oversight Committee has requested an update on the activities of the KAFC. The presentation will be made by Mr. Rogers and Mr. Hughes on September 12. Board members are welcome to attend.

Mr. Rogers called the attention of the Board to the map and information sheet on KAFC loan activity.

Mr. Rogers updated the Board on the West Kentucky Growers facility in Owensboro. The Request for Proposals on the facility was released on August 14 and the deadline for proposals is 4:30pm on October 2. There will be an open-house held for the facility on September 6. A review committee will begin a process to score the proposals and the highest scoring proposal will be presented to the KAFC Board at their November 3 meeting. The Board will vote on whether or not to accept the entity's proposal. If the proposal is accepted, the entity may take possession on January 1, 2007. Some of the equipment contained in the facility will be liquidated at an auction to take place after November 3.

Mr. Rogers notified the Board that a letter to the General Assembly about the Beginning Farmer Program is being drafted and will be mailed in the next week.

Mr. Rogers distributed a new committee assignment list which includes Mr. Gaslin.

Mr. Rogers reminded the Board of the Grand Opening for Kentucky BioProcessing on September 8 at 11:00am CDT and asked for those who plan to attend. He also notified the Board that KBP received its first contract to produce a new experimental drug.

Mr. Rogers notified the Board that the next meeting will be October 6 in Frankfort and the November 3 meeting will be at the Clarion Hotel in Louisville in conjunction with the Kentucky Women in Agriculture Conference.

### **Marketing and Business Development Coordinator's Report**

Mr. Hughes estimated that the Linked Deposit program has a little over \$9 million outstanding.

Mr. Hughes notified the Board that he has received several inquiries about the Beginning Farmer Loan Program and he expects that the program is gaining more interest.

### **New Business**

Loan applications

*Agricultural Infrastructure Loan Program - Discussion and Action*

Mr. Hughes presented the following loan applications:

AF06-0037 Applicants requested \$32,500 over ten years for construction of a 45,000 bushel grain bin and related equipment in Graves County. Integra Bank in Mayfield is the participating lender. **Application AF06-0037 has met the requirements and was approved by staff on July 26, 2006.**

AF06-0044 Applicants were approved by staff on July 11, 2006 for a loan of \$10,000 for construction of a farm shop and stripping room in Pulaski County. This loan was terminated on August 22, 2006 and replaced by a loan on behalf of the applicant's parents, AF06-0064.

AF06-0054 Staff is still awaiting additional information on this application.

AF06-0056 Applicants are requesting \$12,500 over ten years for construction of a 40' x 96' tobacco barn in Breckinridge County. South Central Bank in Elizabethtown is the

participating lender. **Ms. Walters moved to approve AF06-0056, Mr. Reams seconded the motion. The motion passed without dissent.**

AF06-0057 Applicants are requesting \$100,000 over ten years for construction of 4 broiler barns for poultry production in Graves County. Jackson Purchase ACA in Mayfield is the participating lender. **Mr. Miller moved to approve AF06-0057, Mr. Jagers seconded the motion. The motion passed without dissent.**

AF06-0058 Applicant requested \$12,234 over ten years for construction of a 40' x 60' horse barn and shed in Warren County. Farm Credit Services in Bowling Green is the participating lender. **Application AF06-0058 has met the requirements and was approved by staff on August 1, 2006.**

AF06-0059 Applicants are requesting \$60,500 over ten years for construction of a 90,000 bushel grain bin and related equipment in Graves County. Jackson Purchase ACA in Mayfield is the participating lender. **Mr. Miles moved to approve AF06-0059, Mr. Hunt seconded the motion. The motion passed without dissent.**

AF06-0060 Applicant requested \$15,000 over ten years for construction of a 30' x 60' tobacco stripping facility in Pulaski County. Monticello Banking Company in Somerset is the participating lender. **Application AF06-0060 has met the requirements and was approved by staff on August 11, 2006.**

AF06-0062 Applicants are requesting \$100,000 over ten years for construction of two 100' x 198' swine barns for gilt production in Carlisle County. Heritage Bank in Murray is the participating lender. Applicants cannot document tobacco involvement and therefore do not qualify for the 2.75% rate. Staff recommends approval at 4.75%. **Ms. Walters moved to approve AF06-0062 at the 4.75% interest rate, Mr. Reams seconded the motion. The motion passed without dissent.**

AF06-0064 Applicants requested \$11,376 over ten years for construction of a 30' x 60' farm shop and stripping room in Pulaski County. This loan replaces AF06-0044. Cumberland Valley National Bank in Somerset is the participating lender. **Application AF06-0064 has met the requirements and was approved by staff on August 22, 2006.**

AF06-0065 Applicant requested \$27,500 over ten years for construction of an 11 bent tobacco barn, greenhouse and renovations in Marion County. Central KY Ag Credit in Lebanon is the participating lender. **Application AF06-0065 has met the requirements and was approved by staff on August 23, 2006.**

AF06-0066 Application will be reviewed by staff and reported on at the next meeting.

AF06-0067 Applicants are requesting \$5,960 over seven years for construction of a hoop structure for tobacco in Logan County. Farm Credit Services in Bowling Green is the participating lender. **Ms. Walters moved to approve AF06-0067, Mr. Hunt seconded the motion. The motion passed without dissent.**

AF06-0068 Application will be reviewed by staff and reported on at the next meeting.

*Agricultural Processing Loan Program – Discussion and Action*

Mr. Hughes presented the following loan applications:

AF06-0053 Kentucky Specialty Grain – No new information on this application.

AF06-0055 Joe, Todd and Kenton Ball – No new information on this application.

*Beginning Farmer Loan Program – Discussion and Action*

Mr. Hughes presented the following loan application:

AF06-0063 Applicants are requesting \$18,750 over ten years for the purchase of a 5.5 acre farm with a tobacco barn in Nelson County. Farm Credit Services in Elizabethtown is the participating lender. **Mr. Miles moved to approve AF06-0063 contingent upon KAFC receiving an appraisal showing no worse than 100% loan-to-value, Mr. Jagers seconded the motion. The motion passed without dissent. Mr. Gaslin abstained from voting.**

*Coordinated Value-Added Assistance Loan Program – Discussion and Action*

Mr. Hughes presented the following loan application:

AF06-0061 Applicants are requesting \$1,000,000 over five years to secure working capital for a dairy heifer operation in Mason County. **Mr. Miles moved to approve AF06-0061 contingent on the following five conditions being completed satisfactorily as determined by the KAFC Executive Director: 1) Identification and commitment of additional creditors and sources of funds to adequately finance the project, 2) Agreement of an appropriate collateralization plan that gives KAFC a dollar for dollar security position on par with the loan amount. This will include a first mortgage on a 206 acre farm owned by Mr. Wayne Cropper and a subordinate lien position on cattle and/or other assets, 3) A maximum loan amount of \$967,110 or 25% of the expansion, 4) The loan will be made at 5% interest receivable by KAFC, and 5) KAFC will receive quarterly reporting for first three years followed by bi-annual reporting for the remaining two years. Mr. Hunt seconded the motion. The motion passed without dissent. Ms. Walters abstained from voting.**

**Presentation**

Mr. Rogers shared a power point presentation (on file with Board Secretary) about issues raised by applicants and loan officers regarding the Beginning Farmer Loan Program (BFLP) and discussion points for the Agricultural Infrastructure Loan Program (AILP). Issues raised for the BFLP are land ownership, off-farm earnings, net worth and business plan. Current BFLP policy states that an applicant cannot own a farm greater than 30% of the average farm size in the county where it is located. **Mr. Miles moved to abolish the portion of the Beginning Farmer Loan Program policy regarding the farm size limitation, Mr. Gaslin seconded the motion. The motion passed without dissent.**

Discussion items for the AILP include the purpose of this program regarding providing incentives and making loans to high-risk individuals, construction eligibility before the application is received by KAFC, interest rates, tobacco dependence, percentage of income from farming and net worth.

**Old Business**

West Kentucky Growers Cooperative Facility – Mr. Rogers addressed this item in the Executive Director’s Report.

Discussion related to joint ADB-KAFC meeting in July – Discussion ensued after the presentation by Mr. Rogers.

**Other Business**

No other business.

**Closing Remarks**

The motion to adjourn was made by Mr. Jagers, seconded by Mr. Hunt. The motion passed without dissent.

The meeting adjourned at 2:12pm EDT.